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### UM economist optimistic about Montana economy, despite slowdown

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**NEWS RELEASE**

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April 4, 1997

**UM ECONOMIST OPTIMISTIC ABOUT MONTANA ECONOMY, DESPITE SLOWDOWN  
MISSOULA –**

For the first time in decades, Montana has all the right stuff to continue to grow -- promising prospects for agriculture, stable manufacturing industries and a strong world economy, according to a University of Montana-Missoula economist.

"I have been making forecasts for more than 20 years, and this is the most optimistic I have ever been," said Paul Polzin, director of UM's Bureau of Business and Economic Research. "I'm not saying we will have rapid growth. Rather the underlying economic fundamentals are in place to create sustained and maintainable growth."

Polzin said the strong economic fundamentals include:

- A strong world economic outlook. Southeast Asia continues to grow fast and the economies in Eastern Europe and elsewhere have ended their free-fall. The demand for minerals and related products is traditionally strong during periods of economic expansion and growing international trade;
- A strong long-term outlook for Montana agriculture, especially the international markets for grain; and
- Stable or increasing employment and payrolls among most traditional Montana manufacturing industries.

However, Polzin said, there are some risks to his optimistic forecast such as:

- Agriculture has great promise, but with significant risk. The overall profitability of Montana's farms and ranches has to improve from current levels for the long-term forecasts



to be achieved;

- Further declines in the federal timber harvest will significantly impact the wood products industry, the state's second largest basic industry; and
- Montana has some manufacturing facilities that are at risk in today's highly competitive world economy. Examples are the closing of the half-century old Stauffer Chemical plant near Butte and the transfer overseas of sporting goods jobs by the Missoula firm Sun Mountain Sports.

Despite his long-term optimism, Polzin points out that the Montana economy is currently experiencing a significant slowdown. The overall growth rate was in the 4 to 5 percent range in the early 1990s, he said. Now it is about 2 percent, or even a little less.

"The important thing to remember is that the slowdown was expected," Polzin said. "We knew the rapid growth was due to temporary factors -- such as a construction boom -- and it would eventually end. We are now decelerating toward a sustainable growth rate of about 2 percent per year."

Personal income, one of the major determinants of retail sales, will increase about 2.2 percent per year from 1997 to 1999, Polzin said. Slower growth in transfer payments and dividends, interest and rents -- as well as the overall economic slowdown -- has reduced personal income growth, he said.

Montana's job market will increase at a more moderate rate in the next few years. Polzin projects non-farm wage and salary jobs will increase about 6,500 per year, compared with growth of 9,000 to 10,000 per year in the early 1990s.

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